

NEWSLETTER

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Monthly Bulletin



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16th ANNIVERSARY CELEBRATION

**Message from
VINEET ANEJA
Managing Partner
on the occasion of
16th Anniversary of
CLASIS LAW**



Celebrating 16 Years of Trust, Commitment and Excellence

As we celebrate the 16th anniversary of our firm, we pause to reflect with gratitude on a journey built on trust, professional commitment and enduring relationships.

We extend our sincere appreciation to our **clients** for the confidence they have consistently reposed in us and for giving us the opportunity to be part of their legal and business journeys. Your trust has been the cornerstone of our growth and continues to inspire us to strive for the highest standards of excellence.

We also express our heartfelt gratitude to our **colleagues and team members** whose dedication, hard work and commitment have played an invaluable role in shaping the firm. Our journey would not have been possible without your collective efforts and unwavering support.

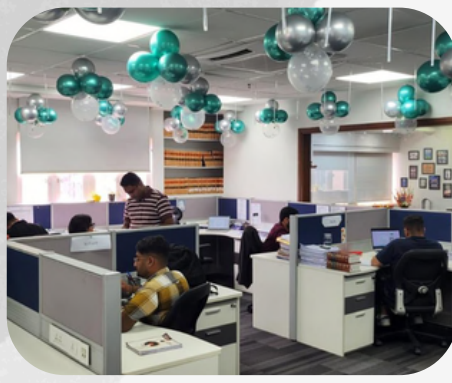
Sixteen years is not merely a milestone; it is a reflection of the relationships we have nurtured, the challenges we have overcome and the values that have guided us throughout.

As we embark on the next chapter, we remain committed to upholding the highest standards of **integrity, professionalism and excellence**, while continuing to create lasting value for our clients and opportunities for our people.

Thank you to our clients, colleagues and well-wishers for being an integral part of our journey. We look forward to continuing this journey together, with renewed commitment and purpose.

**With sincere gratitude and best wishes,
Vineet Aneja
Managing Partner**

16th ANNIVERSARY CELEBRATION



FEATURED ARTICLE



THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2026: KEY CHANGES TO THE REGULATORY FRAMEWORK

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The Micro, Small and Medium Enterprises Development Act, 2006 (**MSME Act, 2006**) was enacted to facilitate the promotion and development of micro, small and medium enterprises (**MSMEs**). MSMEs play a critical role in driving economic growth, generating employment, fostering innovation, and contributing significantly to India's GDP and exports. They continue to serve as a vital pillar of the Indian economy. Over the years, the MSME sector has evolved significantly, driven by technological advancements, the emergence of information technology-enabled systems, and changes in the regulatory landscape. These developments have necessitated a review of the existing legislative framework to ensure that it remains responsive to the evolving needs of MSMEs and supports their sustained growth, competitiveness, and development.

Against this backdrop, the Micro, Small and Medium Enterprises Development (Amendment) Bill, 2026, seeking to amend the MSME Act, 2006, was introduced in the Rajya Sabha on July 28, 2026. The Bill was passed by the Rajya Sabha on August 3, 2026 and subsequently by the Lok Sabha on August 7, 2026. It received the President's assent on August 13, 2026 and accordingly came into force as the Micro, Small and Medium Enterprises Development (Amendment) Act, 2026 (**MSME Amendment Act, 2026**).

The MSME Amendment Act, 2026 introduces several significant changes to the existing regulatory framework governing MSMEs, with the objective of strengthening the sector and facilitating its continued growth and development. Some of the key changes introduced by the MSME Amendment Act, 2026 are set out below:

Settlement through Trade Receivables Discounting System (TReDS)[1]:

The MSME Amendment Act, 2026 provides that all Central Public Sector Enterprises (CPSEs) shall settle their invoices for goods or services procured from MSMEs through a TReDS platform authorised by the Reserve Bank of India (**RBI**). The Central and State Governments may by a notification specify other authorities, bodies, or entities other than CPSEs to use TReDS for settling MSME invoices.

Settlement through TReDS helps MSMEs by improving cash flow and reducing payment delays. Instead of waiting for buyers to pay outstanding invoices, MSMEs can upload their invoices on the RBI authorised TReDS platform, where financiers can discount those receivables and provide funds to the MSME. This helps MSMEs meet working-capital requirements and reduce dependence on expensive short-term borrowing. Mandatory use of TReDS by CPSEs can also bring greater predictability and transparency to the payment process and strengthen payment discipline among large buyers. Overall, the provision is intended to reduce the working-capital pressure caused by delayed payments and improve the financial liquidity of MSMEs.

FEATURED ARTICLE

Registration of MSMEs:

Under the MSME Act, 2006, registration is voluntary for micro and small enterprises, as well as medium enterprises engaged in providing or rendering services. However, a medium enterprise engaged in the manufacture is mandatorily required to obtain registration. The MSME Amendment Act, 2026 removes this distinction and provides that registration will be voluntary for all MSMEs.

The MSME Amendment Act, 2026 further provides for the establishment of a national digital platform to enable MSMEs to file their registration memorandum free of cost and voluntarily, in such form and manner as may be prescribed by the Central Government. The platform is intended to facilitate MSMEs in accessing benefits available under the MSME Act, 2006 and schemes of the Central Government. Similarly, State Governments may also establish State-level digital platforms to enable MSMEs to register voluntarily and access applicable benefits provided by the respective State Governments.

This amendment seeks to simplify the registration process, reduce regulatory burden, and promote greater ease of doing business for MSMEs, while providing a digital mechanism for accessing government benefits.

Classification of MSMEs by State Governments:

The MSME Act, 2006 classifies enterprises as MSMEs based on investment in plant and machinery in case of manufacturing, and equipment in case of services. It also specifies thresholds of investment for classification between micro, small, and medium enterprises. The MSME Amendment Act, 2026 removes these thresholds and modifies the criteria. It empowers the Central Government to classify enterprises as MSMEs based on investment in:

- (a) plant and machinery or equipment[2]; and
- (b) turnover.

This amendment would help to ensure that MSME classification keeps pace with changes in business models, inflation, technological advancements and the evolving nature of enterprises. It also gives the Government greater flexibility to revise the applicable thresholds through notification without requiring a legislative amendment.

Procedure to be followed by micro and small enterprises facilitation council:

Under the MSME Act, 2006, state governments were empowered to establish one or more Micro and Small Enterprises Facilitation Councils but this power extended only to delineating the jurisdiction of the aforementioned Councils leaving their operational procedure unaddressed. The MSME Amendment Act, 2026, however expands this mandate by empowering the state governments to prescribe the procedure governing the functioning of these Council.

This amendment seeks to standardize the framework for the Council's operations and to remove the scope for arbitrariness in how they function.

Timelines for mediation and arbitration:

The MSME Act, 2006 provides for the resolution of disputes relating to amounts due to micro and small enterprises through mediation by the Micro and Small Enterprises Facilitation Council or by a mediation service provider to whom the matter is referred by the Council. Where the mediation is unsuccessful, the Act requires the dispute to be referred to arbitration. The MSME Amendment Act, 2026 introduces specific timelines to expedite the dispute resolution process. After the amendment, mediation must be completed within 90 days from the date fixed for the first appearance of the

FEATURED ARTICLE

parties. If the mediation is unsuccessful, the dispute must be referred to arbitration within 30 days from the date of termination of the mediation. Further, the arbitral award must be made within 90 days from the date of completion of pleadings.

These amendments seek to reduce delays in the resolution of payment disputes and provide greater certainty and expeditious relief to micro and small enterprises.

Decriminalisation of certain offences:

As per the MSME Act, 2006, a buyer whose annual accounts are subject to audit under any applicable law to disclose details of unpaid dues to MSMEs in its annual statement of accounts. The MSME Amendment Act, 2026 replaces the existing fine of INR ₹10,000 with a graded penalty framework. A buyer will receive a warning for the first contravention. In case of a second contravention, a penalty ranging from ₹10,000 to ₹50,000 may be imposed. For a third or subsequent contravention, a fine ranging from ₹50,000 to ₹1 lakh may be imposed.

This amendment adopts a progressive enforcement approach, providing an opportunity to rectify the non-compliance at the first instance while imposing higher financial consequences for repeated violations.

FOOTNOTES:

[1] "Trade Receivables Discounting System" means an electronic platform for facilitating the financing or discounting of trade receivables of micro, small and medium enterprises in accordance with the guidelines issued by the Reserve Bank from time to time.

[2] While calculating the investment in plant and machinery, the cost of pollution control, research and development, industrial safety devices and such other items as may be specified, by notification, shall be excluded.

Disclaimer: This publication is intended solely for the informational purposes and provides an analysis of certain provisions of The Micro, Small and Medium Enterprises Development Act, 2026. This publication should not be construed as legal, financial or professional advice. Readers are encouraged to seek appropriate professional guidance before making any decisions.

LEGAL UPDATES

SUPREME COURT CLARIFIES THE GRANT OF POST-AWARD SECTION 9 RELIEF TO AN UNSUCCESSFUL ARBITRAL PARTY IN EXCEPTIONAL AND COMPELLING CIRCUMSTANCES

Introduction

In a recent ruling[1], the Supreme Court of India examined whether a consumer complaint could continue against parties other than the corporate debtor when a moratorium under Section 14 of the Insolvency and Bankruptcy Code, 2016 (“IBC”) was operating against the corporate debtor. The Court held that the statutory moratorium under Section 14 operates against the corporate debtor alone and cannot be extended to other respondents, including associated companies, promoters, directors or landowners, in the absence of any specific statutory protection.

Brief Facts of the Case

On August 16, 2002, the appellant and respondent entered into a Memorandum of Understanding for the work of Bus Terminus at Taj Mahal Bus Stand, UPST Bus Stand, Idgah Bus Stand and development of Taj Trapezium Zone Heritage Corridor for Agra, Government of Uttar Pradesh. In December 2002, the respondent was provided Rs. 3.5 crores as mobilisation advance against bank guarantees furnished by it. Disputes subsequently arose between the parties and arbitration proceedings were commenced. In the course of the proceedings, the respondent had earlier filed a Section 9 application seeking restraint against invocation of the bank guarantees. By order dated December 15, 2005, the High Court recorded the respondent’s undertaking to keep the bank guarantees alive till adjudication by the arbitrator and, if a Section 34 petition was filed, till disposal thereof, while permitting the appellant to encash the bank guarantees if, upon the award becoming executable, the appellant was found entitled to recover any amount.

The respondent subsequently failed to keep the bank guarantees alive and the appellant invoked them in September 2017. The arbitrator thereafter rendered an award dated December 5, 2017 dismissing the respondent’s claims. No counter-claim had been filed by the appellant. While dealing with the issues concerning discharge of the bank guarantees and bank charges, the arbitrator held that the respondent was bound by its undertaking to keep the bank guarantees alive and that, due to its alleged fraudulent and collusive conduct, the appellant could not be fastened with liability towards bank charges. The respondent challenged the award under Section 34 and subsequently filed a fresh Section 9 application seeking return of the amount equivalent to the bank guarantees. The learned Single Judge directed the appellant to deposit Rs. 3.5 crores with the Court, which order was upheld by the Division Bench.

LEGAL UPDATES

Analysis of the Court

The Supreme Court held that an Award Debtor is not precluded from invoking Section 9 merely because it was unsuccessful in the arbitral proceedings and has no enforceable award in its favour. Relying on *Home Care Retail Marts Pvt. Ltd. v. Haresh N. Sanghavi*[2] and *Essar House Private Limited v. Arcellor Mittal Nippon Steel India Limited*[3], the Court observed that Section 9 confers wide powers to grant interim measures of protection and that such relief continues to be governed by the principles of prima facie case, balance of convenience, irreparable harm or injury and reasonable expedition. However, the Court noted that the threshold is higher where an unsuccessful party seeks such relief and that such relief may be granted only in rare and compelling cases to prevent irreparable prejudice and preserve the efficacy of the Section 34 proceedings.

Applying these principles, the Supreme Court found that the respondent had satisfied the necessary parameters for relief under Section 9. The Court noted that the December 15, 2005 order permitted invocation of the bank guarantees only if, after adjudication by the arbitrator, the appellant was found entitled to recover the amount; that the appellant had not filed any counter-claim; and that the arbitrator appeared to have been unaware that the bank guarantees had already been encashed. The Court further noted that there was no finding in the award that the mobilisation advance had not been utilised and that the issue concerning discharge of the bank guarantees remained unaddressed. In these circumstances, the Court held that permitting the appellant to retain the amount pending the Section 34 proceedings would result in unjust enrichment and would be contrary to the earlier order of the High Court. The Court therefore held that the direction to deposit Rs. 3.5 crores was a judicious exercise of the power under Section 9 and would prevent irreparable prejudice while furthering the efficacy of arbitration.

Conclusion

The judgment clarifies that the availability of a Section 9 remedy is not excluded merely because a party has been unsuccessful before the arbitral tribunal. However, the judgment also makes clear that a higher threshold applies to such applications and that relief would depend on the facts of each case. In the present case, the absence of a counter-claim, the earlier High Court order governing invocation of the bank guarantees, the absence of a finding regarding non-utilisation of the mobilisation advance and the fact that the issue concerning discharge of the bank guarantees remained unaddressed were relevant in supporting the interim direction to deposit the amount pending the Section 34 proceedings.

FOOTNOTES :

[1] Civil Appeal No. 5819 of 2025

[2] 2026 SCC Online SC 670

[3] (2022) 20 SCC 178

COMPILED REGULATORY UPDATES

1. Inventory-based Cross-border E-Commerce Export Framework

The Ministry of Commerce and Industry, through a notification dated August 5, 2026, introduced the Inventory-based Cross-border E-Commerce Export Framework under the Foreign Trade Policy 2023 enabling export-only inventory operations through registered Exporters-on-Record in accordance with the Consolidated FDI Policy. The framework prescribes the eligibility conditions, operational obligations, inventory management requirements and other operational requirements. The objective of this framework is to enable e-commerce exports through an inventory model under which the Exporter-on-Record holds inventory for export, undertakes export-related processes, exports goods, and assists and enables Sellers-on-Record to access global markets.

2. IBBI Guidance on Fraudulent or Malicious Initiation of CIRP

The Insolvency and Bankruptcy Board of India (“IBBI”), vide Discussion Paper dated August 14, 2026, has proposed guidance for Insolvency Professionals (“IPs”) to identify fraudulent or malicious initiation of the Corporate Insolvency Resolution Process (“CIRP”) and provide recourse under Sections 60(5) and 65 of the Insolvency and Bankruptcy Code, 2016 (“IBC”). The proposed circular sets out illustrative red flags indicating potential misuse of CIRP including negligible business operations or assets, significant related-party exposures, qualified audit observations and unusual debt assignments shortly before CIRP. Where such indicators are identified, IPs would be required to undertake a detailed review and where warranted, approach the Adjudicating Authority under Section 60(5) read with Section 65 of the IBC.

3. SEBI Consultation Paper on Review of Settlement Proceedings Regulations

SEBI has issued the Consultation Paper, on August 14, 2026, with the objective of seeking comments and suggestions from the general public and stakeholders on the proposed changes to the existing settlement mechanism and on the SEBI (Settlement of Proceedings) Regulations, 2026. With a view to reducing litigation and providing an alternative mode of resolution, while ensuring greater clarity and ease of understanding of the regulatory framework, SEBI has undertaken a review of the existing settlement mechanism. Accordingly, comments and suggestions on the draft SEBI (Settlement of Proceedings) Regulations, 2026 have been invited from the general public and stakeholders.

4. CCI (Commitment) Amendment Regulations, 2026

The Competition Commission of India, through a notification dated August 18, 2026, notified the Competition Commission of India (Commitment) Amendment Regulations, 2026 to amend the CCI (Commitment) Regulations, 2024. The amendments extend certain timelines, including increasing the period prescribed under Regulation 3(3) from 45 days to 60 days, the period under Regulation 4(1) from 7 days to 15 days, and the period for commitment proceedings under Regulation 4(7) from 130 days to 180 days. It also provides that where a Commitment Application contains any defects or deficiencies, it will be returned to the applicant for rectification and refiling within 10 working days from receipt of the communication. The fee paid for the original application will be adjusted against the fee payable upon refiling and failure to rectify the defects within the prescribed period will result in the Commitment Application being treated as invalid.

NEW EDITION 2026

We are pleased to share our e-book titled
"Doing Business in India"



The book deals with several topics which are key for setting up and conducting business in India, including corporate structures, foreign investment, labour and employment, taxation, data protection, white collar crimes, dispute resolution.



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